

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION

COMMITMENT TO INSURE UPON COMPLETION
SECTION 207
(Pursuant to Section 223(f))

TO:

_____	Project Number: _____
(Mortgagee)	
_____	_____
(Street)	(Name of Sponsor(s))
_____	_____
(City and State)	(City, County and State)

	(Name of Proposed Mortgagor)

We understand that you.. as Mortgagee, have agreed to make a loan to _____ (hereinafter called the “Mortgagor”), in an amount not exceeding the sum of _____ Dollars (\$) _____) to be secured by a credit instrument and security instrument (hereinafter jointly called the “Mortgage”) covering real property with existing building(s) thereon. (hereinafter called the “Project”), situated in the _____ of _____ and State of _____ at _____, as shown on the As-built Survey, Surveyor’s Certificate, and legal description of the property attached hereto and marked “Exhibit A”.

It is your intention to present the said Mortgage to this Administration for mortgage insurance under the provisions of Section 207, pursuant to Section 223(f) of the National Housing Act, and the Regulations thereunder now in effect.

The Federal Housing Commissioner acting herein on behalf of the Secretary of Housing and Urban Development hereby agrees to insure said Mortgage under the provisions of said Act and Regulations upon the following conditions:

1. Upon endorsement of the Mortgage for insurance, repairs, if any, shall have been completed in accordance with the Work Write-up attached hereto as “Exhibit B” and the Specifications (and Drawings, if required) attached hereto as “Exhibit C” except as they may have been modified by changes formally approved in writing by the Commissioner before the changes are made.
2. During the course of repairs, if any, the Commissioner and his representatives shall at all times have access to the property and the right to inspect the progress of the repairs. In addition, if required by the Commissioner. the Mortgagor will furnish at the Project site all necessary facilities for the use of the Commissioner's inspector such as, office space, use of a telephone, typewriter,, etc. The inspection of the repairs by a representative or representatives of the Commissioner shall be for the benefit and protection of the Secretary of Housing and Urban Development. If deviations from the Work Write-up and Specifications (and Drawings, if applicable) or unsatisfactory workmanship or defective materials are not corrected to the satisfaction of the Commissioner prior to the completion of repairs, the Mortgage will not be considered eligible for insurance.
3. Prior to endorsement of the Mortgage for insurance, the Mortgagor shall present to the Commissioner a title policy or title evidence in conformity with the Regulations above mentioned which shall show that title to the property on the date of endorsement of the Mortgage for insurance is vested in the Mortgagor free of all encumbrances other than said Mortgage and all exceptions to title (either junior or prior to said Mortgage) except such as are specifically determined to be acceptable by the Commissioner. The Mortgagor shall also furnish satisfactory proof that there exists no unpaid obligations contracted in connection with the Mortgage transaction. the purchase of the mortgaged property or refinancing of existing indebtedness, or the completion of the repairs, except such obligations as may be approved by the Commissioner. If such title evidence is in the form of a title insurance policy. it shall by its terms inure to the benefit of the Mortgagee and/or the Secretary of Housing and Urban Development, as their interests may appear. If under the laws of the jurisdiction in which the Project is located the chattels and personal property of the Mortgagor required in the operation of the Project are not covered by and subject to the terms of the Mortgage, the Mortgagee must require and receive from the Mortgagor a chattel mortgage or such other security, instrument as may be necessary covering such personal property and chattels.
4. The Mortgage shall bear interest at the rate of _____ percent per annum payable on the first day of each month on the outstanding balance of principal. The first payment to principal (Commencement of amortization) shall be due not later than the first day of the second month following the date of endorsement of the Mortgage for insurance. The Mortgage shall be payable on a level annuity basis by _____ monthly payments of principal and interest in the amount of _____. The maturity and final payment date shall be _____ years and _____ months following the due date of the first payment to principal,
5. The credit instrument and the security instrument to be insured shall be in the form prescribed by the Commissioner for use in connection with Section 207 loans in the locality in which the property is situated.

6. The Mortgagor must possess the powers necessary for operating the Project and meeting all the requirements of the Commissioner for insurance of the Mortgage. Prior to endorsement of the Mortgage for insurance, there shall be filed with the Commissioner a copy of the instrument under which the Mortgagor entity is created (unless the Mortgagor is an individual) together with copies of all instruments or agreements necessary under the laws of the applicable jurisdiction to authorize execution of the Mortgage and the other closing documents, and a Regulatory, Agreement or other instrument as will permit the Commissioner's regulation of the Mortgagor as to rents, charges and methods of operation. Such instrument shall provide, among other things, for the establishment of a Reserve Fund for Replacements by payment of \$ _____ per annum to be accumulated monthly under the control of the Mortgagee, commencing on the date of the first payment to principal as established in the insured Mortgage unless a later date is agreed to by the Commissioner. In addition to the per annum amount required to be accumulated monthly under control of the Mortgagee for the Reserve Fund for Replacements, there shall be an initial deposit in the amount of \$ _____ made to the Reserve Fund for Replacements by the Mortgagor prior to endorsement of the Mortgage for insurance.

7. If any repairs are to be made to an existing Project which require additional sewer, water, gas or electrical facilities, evidence satisfactory to the Commissioner shall be submitted prior to endorsement of the Mortgage for insurance showing that adequate sewer, water, gas and electrical facilities have been fully installed and that necessary public streets, sidewalks and curbing outside the Project site have been completed. All off-site facilities or utilities required by the special conditions under this commitment shall be included in such evidence.

8. Prior to the endorsement of the Mortgage for insurance, evidence shall be submitted to the Commissioner that the buildings, including electric wiring, plumbing, gas, and other appliances therein have been inspected and approved by all departments, boards, or agencies of the municipality, county or state, or other governmental bureaus or departments having jurisdiction thereof, and by the rating or inspection organization, bureau, association or body performing similar functions and that such certification as may be required with respect to the approval of the said buildings for occupancy and otherwise as may be required by the Commissioner have been issued to the Mortgagor.

9. Prior to the endorsement of the Mortgage for insurance, the Commissioner shall be furnished with a current As-built Survey duly certified to by a registered surveyor satisfactory to the Commissioner and an up-dated Surveyor's Certificate showing that there are no easements or encroachments upon the subject property except those approved by the Commissioner and that the improvements of the Project are contained upon the land covered by the Mortgage and within the building restriction lines, if any, on said land and do not encroach upon or overhang any land not covered by the Mortgage or beyond the said building restriction lines, if any, nor any easement or right-of-way. The survey shall also show the exact location of water, sewer, gas, and electric mains, and all easements for such utilities then existing.

10. Upon endorsement of the Mortgage for insurance, the Mortgage must be current with respect to all payments required to be made by its terms, including all deposits required to be made with the Mortgagee for mortgage insurance premiums, fire, and other property insurance premiums, ground rents, water rates, taxes and other assessments; and there shall be in full force and effect fire and other property insurance as required by the insured Mortgage.

11. Upon endorsement of the Mortgage for insurance, the Mortgagee shall pay to the Commissioner in advance, a mortgage insurance premium equal to one percentum of the principal amount of the insured Mortgage to cover the first mortgage insurance premium and shall continue to make payments thereafter as required by the aforesaid Regulations.

12. In the case of a Project (1) on which construction was commenced prior to June 30, 1974, (2) which was completed prior to December 31, 1975 (3) on which an application was filed after completion and prior to December 31, 1975, and (4) which is less than one year old at the time of endorsement of the Mortgage for insurance, the Mortgagor shall furnish satisfactory evidence that the work of the General Contractor is covered by a guarantee acceptable to the Commissioner, running for a period of at least one year, following endorsement of the mortgage, against latent defects and faulty workmanship and defective materials in the construction of the building, which guarantee will be secured by (a) a valid surety bond (FHA Form Number 3259) in an amount not less than ten percent (10%) of the cost of construction, running for a period of not less than two years following endorsement of the Mortgage, with the Mortgagor and Mortgagee named as Obligees on the bond with the Mortgagee's interest assignable to the Commissioner; or (b) a sum equal to two and one-half percent (2-1/2%) of the face amount of the Mortgage to be held in escrow and subject to the control of the Mortgagee for a period of 15 months following endorsement of the Mortgage, which sum, upon failure of such corrections being made as are required by the Mortgagee or the Commissioner within said one year period, may be used by the Mortgagee, or its assigns, for making such required corrections or, with the consent of the Commissioner, may be applied to the last maturing installments of principal of the indebtedness evidenced and secured by the Mortgage.

13. Prior to endorsement of the Mortgage for insurance, the Mortgagor must certify under oath that in selecting tenants for the property covered by the Mortgage, the Mortgagor will not discriminate against any family by reason of the fact that there are children in the family, unless the Commissioner determines that the Project is intended primarily for occupancy by the elderly or handicapped and is not compatible for occupancy by families with children, and that the Mortgagor will not sell the property while mortgage insurance is in effect unless the purchaser also so certifies and files such certification with the Commissioner.

14. Prior to endorsement of the Mortgage for insurance, the Mortgagor must certify under oath that so long as the Commissioner has any interest in the Mortgage transaction no part of any building will be rented for a period of less than 30 days or operated in such a manner as to offer any hotel services to any tenant in the building or buildings; and that the property will not be sold so long as the Commissioner retains any interest therein, unless the purchaser files with the Commissioner a like certification executed by such purchaser under oath.

15. Upon endorsement of the Mortgage for insurance, the Mortgagor(s) shall execute FHA Form 2476a "Escrow Agreement - Additional Contribution by Sponsors" showing the deposit of \$ _____ in the form of cash, an

unconditional irrevocable letter of credit issued to the depository by a banking institution, or United States bearer bond. In the event a demand under the letter of credit is not promptly met, the Mortgagee shall immediately provide the cash equivalent in the undrawn balance thereunder. (Delete this paragraph if no operating deficit fund is required.)

16. The Mortgagor shall not be required to pay to the Mortgagee an initial service charge in excess of two percent (2%) of the original amount of the Mortgage.

17. This commitment shall expire _____ , _____ , unless duly extended in writing by the Commissioner and upon such expiration all rights and obligations of the respective parties shall cease.

18. Prior to the execution of any repair contracts relative to the subject Project, the Agreement and Certification Form Number _____ shall be executed by the Mortgagor, Mortgagee, and the Federal Housing Commissioner and the Mortgagor shall be bound thereby with respect to any subsequent contracts or subcontracts. The commitment amount herein above is subject to appropriate reduction in accordance with the terms of the Agreement and Certification.

19. A request for reopening received within ninety (90) days of its expiration must be accompanied by a reopening fee of \$0.50 per \$1000 of the amount of the expired commitment.

20. It is a condition of this commitment that any change in sponsorship upon which this commitment was predicated must be indicated in writing by the Mortgagee on behalf of the proposed substitute sponsor(s) and such request must be approved in writing by the Commissioner.

21. In the event that additional code requirements are imposed by any state or local authority, after the issuance of this commitment, that would cause the total cost of all required repairs to exceed fifteen percent (15%) of the total HUD/FHA estimate of value after repairs, this commitment shall be null and void.

22. Special Conditions

This commitment and exhibits referred to herein together with the applicable Federal Housing Administration Regulations constitute the entire agreement between us, and acceptance of the terms hereof is evidenced by the signature and seals of the Mortgagor and Mortgagee upon the lines provided therefor below.

SECRETARY OF HOUSING AND URBAN DEVELOPMENT
BY: FEDERAL HOUSING COMMISSIONER

Dated _____

By _____
Authorized Agent

The above commitment to insure is acknowledged by the undersigned, and we agree to be bound by its terms.

Mortgagor

By _____

Mortgagee

SPECIAL CONDITIONS

Number 1 through **(TOTAL NUMBER OF SPECIAL CONDITIONS)**

PROJECT NAME

Project No. **(ENTERED BY HUD)**

1. This commitment is subject to conditions one through **(TOTAL NUMBER OF MORTGAGE CREDIT SPECIAL CONDITIONS)** on the Supplement to the Project Analysis Form (HUD 92264A) dated **(DAY LENDER COMPUTED PROCESSING)**. A copy of the HUD 92264A is enclosed.
2. This Firm Commitment expires in 60 days and can only be extended for one 30 day period if justifiable circumstances exist.
3. All existing indebtedness encumbered on the property will be paid off and the sponsor will provide a free and clear title report at endorsement.
4. At least 15 days prior to endorsement, the mortgagee must submit evidence that it has committed for the permanent financing or provide some other firm written assurance demonstrating that permanent financing will be available at the rate shown in the Firm Commitment.
5. Per HUD Notice H 85-32, the borrower must establish an assurance against latent defects by one of the following: 1. establishing an escrow in cash or a letter of credit, in the amount of **\$ (TOTAL EQUAL TO 2 1/2 PERCENT OF THE REPAIR COST)** or 2. obtain a surety bond for at least **\$ (TOTAL EQUAL TO 10 PERCENT OF REPAIR COST)**.
6. Per 24 CFR 207.32a(e)(2), the loan will be closed to prepayment for a period of five years', unless otherwise agreed upon by the Commissioner.
7. This Firm Commitment is subject to the requirements of Executive Order 11246 relating to equal opportunity in employment and regulations and procedures thereunder.
8. The cash requirements for closing have been estimated at \$ **(TOTAL CASH REQUIREMENTS FOR CLOSING AS NOTED ON 2264A)**.
9. Federal regulations applicable to Section 223f require the mortgagee to collect each month and maintain taxes, insurance, and Replacement Reserve accounts, pay the MIP to HUD annually, conduct annual property inspections', and submit inspection reports in a format acceptable to HUD.
 - a. For maintaining the standard tax, insurance, and MIP accounts, HUD suggests that, where possible, lenders consider using their single family servicing departments. To reduce some of the lender's servicing burden, HUD can accept maintenance of the Replacement Reserve account as follow:
 - 1) the RR account can be a normal, separate account (not necessarily an escrow account requiring special handling by the lender).
 - 2) the borrower will make deposits at the required \$150 PUPA as long as the balance is under \$ 1.000/unit,
 - 3) releases do not require prior approval but must be reported by the borrower to HUD as they occur,
 - 4) the borrower has control and responsibility to comply with these requirements; violations could result in more stringent controls (e.g. requiring an escrow account) or even a technical default and possible HUD foreclosure on the property,
 - 5) status of the RR account is reported as part of annual. Owner-certified project financial statements (with VOD's submitted as
 - 6) documentation).
 - b. Federal regulations also require that distributions from surplus cash can only be made either annually or semiannually, at the request of the borrower. Regulations do not specify the agent or procedures of approving these releases. Similar to the handling of the Replacement Reserve account above, HUD can accept the following:
 - 1) a separate bank account for each project (no co-mingled funds),
 - 2) HUD will review the borrower-certified annual financial statements and authorize withdrawals of surplus cash accordingly; if the borrower wishes semi-annual distributions, the borrower must submit a project balance sheet for HUD review and release approval,
 - 3) as with Replacement Reserve, status of the project's surplus cash is reported as part of annual, owner-certified project financial statements (with VOD's submitted as documentation).
 - c. By regulation, the lender is responsible for conducting annual property inspections. HUD's standard inspection format is form HUD-9822, a two page report. The lender or contracted representative need to look at as few as two units to complete this action. HUD reserves the right to perform additional inspections, either on a random sampling basis or as the need arises.